

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 TRSE-00 SSO-00 INRE-00 SS-20

SP-03 AID-20 STR-08 COME-00 FRB-02 OMB-01 XMB-07

CIAE-00 INR-10 NSAE-00 RSC-01 IO-14 NSC-07 NSCE-00

L-03 H-03 PA-04 PRS-01 USIA-15 /147 R

DRAFTED BY EB/IFD/ODF:RSGELBARD/ARA/LA/CAR:TMACKLIN:CU

APPROVED BY EB/IFD:SWEINTRAUB

ARA:WBOWDLER

TREAS:JHENNESSY

EB/IFD/ODF:REBENEDICK

ARA:DSZABO

ARA/LA/CAR:JBURKE

ARA/LA/CAR:WWHEELER

ARA/LA/CAR:RHUDDLESTON

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O R 211652Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY BUENOS AIRES IMMEDIATE

AMEMBASSY CARACAS IMMEDIATE

AMEMBASSY LIMA IMMEDIATE

AMEMBASSY MEXICO IMMEDIATE

AMEMBASSY MONTEVIDEO IMMEDIATE

AMEMBASSY QUITO IMMEDIATE

AMEMBASSY SANTIAGO IMMEDIATE

AMEMBASSY LA PAZ IMMEDIATE

AMEMBASSY ASUNCION IMMEDIATE

AMEMBASSY SANTO DOMINGO IMMEDIATE

INFO AMEMBASSY MANAGUA

AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY NASSAU

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AMEMBASSY PORT OF SPAIN

AMEMBASSY SAN JOSE

C O N F I D E N T I A L STATE 133330

E.O. 11652: GDS

TAGS: EFIN, IDB, CDB

SUBJECT: IDB RESOLUTION ON CDB RELENDING

1. EMBASSIES ARE REQUESTED TO APPROACH APPROPRIATE HOST GOVERNMENT OFFICIALS TO INFORM THEM THAT U.S. HAS VOTED IN FAVOR OF AND STRONGLY SUPPORTS IDB RESOLUTION WHICH WOULD PERMIT ENTRY INTO IDB OF GUYANA AND BAHAMAS AND WOULD ALLOW IDB TO LEND FUNDS TO CARIBBEAN DEVELOPMENT BANK FOR RE-LENDING TO ANY CDB MEMBER, WHETHER THEY ARE ALSO IDB MEMBERS OR NOT. USG FEELS THAT RESOLUTION IS HIGHLY CONSTRUCTIVE SINCE IT WILL PERMIT TRANSFER OF REAL RESOURCES TO TERRITORIES WHICH HAVE URGENT DEVELOPMENT NEEDS AND LIMITED ALTERNATIVE FINANCIAL SOURCES. AT SAME TIME, ONLY COMPARATIVELY SMALL AMOUNTS OF FUNDING WOULD BE INVOLVED.

2. PARTICULAR EMPHASIS SHOULD BE GIVEN BY APPROPRIATE EMBASSIES TO GOVERNMENTS OF ARGENTINA, BRAZIL, MEXICO AND VENEZUELA. DURING COURSE OF BOARD OF DIRECTORS' CONSIDERATION OF AMENDMENT, VENEZUELAN AND BRAZILIAN DIRECTORS, IN PARTICULAR, WITH OCCASIONAL SUPPORT BY ARGENTINA, ATTEMPTED TO SIDETRACK RESOLUTION FOR REASONS THAT ARE UNCLEAR. WE HAVE BEEN LED TO UNDERSTAND THAT VENEZUELAN DIRECTOR DOES NOT REPRESENT VIEWS OF HIS GOVERNMENT ON THIS ISSUE; IT IS NOT KNOWN WHAT OFFICIAL BRAZILIAN POSITION IS.

3. BACKGROUND INFORMATION ON RESOLUTION FOLLOWS FOR EMBASSIES TO DRAW ON AS NEEDED: RESOLUTION WAS PRELIMINARILY APPROVED BY BOARD OF GOVERNORS AT IDB ANNUAL MEETING IN SANTIAGO APRIL 1-3. BANK MANAGEMENT THEN PREPARED STUDY ON RESOLUTION AND BOARD OF EXECUTIVE DIRECTORS APPROVED IN LATE MAY. NO PROBLEMS ARE FORESEEN REGARDING GUYANA AND BAHAMAS, BUT SOME DIRECTORS RAISED OBJECTIONS TO CDB RELENDING PROVISION IN BOARD DISCUSSION, ALTHOUGH IT ULTIMATELY PASSED BOARD UNANIMOUSLY. IDB HAS NOW REQUESTED APPROVAL OF GOVERNORS (FINANCE MINISTERS) BY FORMAL VOTE IN CONFIDENTIAL

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ORDER TO SUBMIT TO MEMBER COUNTRIES FOR APPROVAL. AN AMENDMENT TO ARTICLE II, SECTION 1B OF THE AGREEMENT ESTABLISHING THE BANK IS NECESSARY TO ALLOW IDB TO MAKE LOANS TO THE CDB WITHOUT RELENDING RESTRICTIONS AS TO RECIPIENTS. THIS MEASURE WAS DESIGNED TO ENABLE THE IDB TO PROVIDE DEVELOPMENTAL ASSISTANCE TO INTERNALLY SELF-GOVERNING DEPENDENCIES IN THE CARIBBEAN WHICH ARE MEMBERS OF THE CDB BUT NOT THE IDB. THE MERITS OF THIS AMENDMENT ARE:

(A) IT WOULD PROVIDE ADDITIONAL DEVELOPMENTAL FUNDS TO CARIBBEAN LDCS, WHICH HAVE AMONG THEM THE LOWEST PER CAPITA INCOME LEVELS OF ANY STATES IN THE HEMISPHERE.

(B) IT WOULD PROVIDE INTERNALLY SELF-GOVERNING DEPENDENCIES IN THE CARIBBEAN WITH ACCESS TO HEMISPHERIC RESOURCES THROUGH HEMISPHERIC INSTITUTIONS.

(C) IT WOULD DO SO WITHOUT REQUIRING MEMBERSHIP IN THE IDB AS A PRECONDITION.

THE PROPOSAL TO AMEND THE AGREEMENT IS PERMISSIVE. IT PROVIDES THE BANK WITH AUTHORITY TO LOAN MONEY TO THE CARIBBEAN DEVELOPMENT BANK, BUT DOES NOT REQUIRE THE IDB TO DO SO.

4. IN DISCUSSING ISSUE, IT SHOULD BE POINTED OUT TO LA GOVERNMENTS WHICH MAY HAVE RESERVATIONS ABOUT RESOLUTION THAT, BARRING MEASURES SUCH AS THIS WHICH WILL PROVIDE INTERNALLY SELF-GOVERNING DEPENDENCIES WITH ACCESS TO FINANCIAL RESOURCES, THESE DEPENDENCIES WILL FEEL OBLIGATED TO SEEK MEMBERSHIP IN IDB AND OAS IN ORDER TO OBTAIN ACCESS TO IDB FUNDS. ACTION ADDRESSEES SHOULD NOTE THAT GUATEMALAN FINANCE MINISTER HAS CABLED TREASURY SECRETARY SIMON AND THE OTHER GOVERNORS OF THE IDB URGING AN AMENDMENT TO BAR FUNDS TO DISPUTED TERRITORIES, I.E., BELIZE, AND IT HAS DELIVERED AN AIDE MEMOIRE TO THE STATE DEPARTMENT.

5. RESOLUTION WOULD CLEARLY NOT ENCOMPASS TERRITORIES OUTSIDE CDB, SUCH AS FALKLAND ISLANDS WHICH IS OF CONCERN TO ARGENTINA. QUESTION WAS ALSO RAISED BY SOME LA NATIONS

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ABOUT PUERTO RICO'S STATUS, SINCE IT IS LIKELY TO REQUEST CDB MEMBERSHIP. PUERTO RICO, IF IT JOINS CDB, WILL ENTER SOLELY AS DONOR, AND RELATIONSHIP TO U.S. WILL NOT PERMIT IT TO BE RECIPIENT OF ANY FUNDS.

6. ADDITIONALLY, URUGUAY RAISED OBJECTION TO POSSIBILITY OF CUBA AFFILIATING WITH CDB AND THEREFORE BECOMING ELIGIBLE TO BORROW FUNDS THROUGH THIS NEW CHANNEL. WHILE USG RECOGNIZES THE THEORETICAL POSSIBILITY OF CUBA JOINING CDB, U.S. CONSIDERS PROBABILITY UNLIKELY, AND WE WILL INSIST THAT CONTRACTUAL ARRANGEMENTS BE REACHED TO MAKE CUBA NOT ELIGIBLE FOR MEMBERSHIP.

7. IDB HAS REQUESTED VOTES BY JULY 5. EMBASSIES SHOULD APPROACH GOVERNMENTS AS SOON AS FEASIBLE AND REPORT STATUS

OF POSITIONS BY JUNE 27. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FOREIGN POLICY POSITION, DEVELOPMENT BANKS, MEMBER ADMISSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CollinP0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE133330
Document Source: CORE
Document Unique ID: 00
Drafter: RSGELBARD/ARA/LA/CAR:TMACKLIN:CU
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740163-0500
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740624/aaaaatwx.tel
Line Count: 170
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <14 FEB 2003 by CollinP0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IDB RESOLUTION ON CDB RELENDING
TAGS: EFIN, US, BF, GY, IDB, CDB
To: BOGOTA MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005